

# Ready? Set. Save! Guide

Created for the 2016 Tax Time Saving Initiative



Consumer Financial  
Protection Bureau

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# CFPB's tax time saving initiative

The mission of the Consumer Financial Protection Bureau, known as the CFPB, is to help consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. Above all, this means ensuring that consumers get the information they need to make the financial decisions they believe are best for themselves and their families.

The Dodd-Frank Act established the CFPB's Office of Financial Education "to educate and empower consumers to make better informed financial decisions." The Office of Financial Education is required by the Dodd-Frank Act to provide opportunities for consumers to access wealth-building and financial services during the tax preparation process to claim earned income tax credits and federal benefits.<sup>1</sup> The CFPB's Office of Financial Empowerment works to empower low-income and economically vulnerable consumers to make informed financial decisions by providing them with tools and information and by promoting a more inclusive and fair marketplace.

The Office of Financial Education and the Office of Financial Empowerment launched the Tax Time Saving initiative during the 2013 tax season as a way of providing an opportunity for low-income and economically vulnerable consumers to improve their financial capability. Through this initiative, we have worked primarily with the Internal Revenue Service's (IRS) approved Volunteer Income Tax Assistance (VITA) programs to encourage saving among low- and moderate-income taxpayers.

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<sup>1</sup> 12 U.S.C. § 5493(d)(2)(F).

## 2016 TAX TIME SAVING INITIATIVE: MAKE THE MOST OF YOUR TAX REFUND

The Tax Time Saving pilots we conducted in the 2014 and 2015 tax seasons provided strong quantitative results and many promising practices. The promising practices are informing our efforts to encourage saving at tax time in 2016 and in coming years.

# Promising practices

The CFPB has identified a number of promising practices that may help tax preparation staff and volunteers be more successful at informing taxpayers about their saving options, which in turn may help taxpayers follow through on their savings goals while filing their tax return. A full listing of the promising practices can be found in CFPB's report, [\*Increasing saving at tax time and promising practices for the field\*](#). The following promising practices are those that can specifically help tax preparation staff and volunteers promote tax time saving among taxpayers.

## Offer the saving option more than once

Taxpayers may be more likely to follow through and save if the offer is made more than once. While they may have to be “sold” on the concept – especially if saving was not already in their plan – hearing about saving more than once may help taxpayers learn and think about saving options and lead them to a decision to save.

Many of the most successful VITA programs make sure their customers hear about their saving options multiple times. Sometimes they provide advance information about saving, and often staff and volunteers give each taxpayer more than one opportunity to hear about their saving options at key moments while at the tax site. See page 16 for ideas on ways staff and volunteers might work together to offer the saving option to taxpayers.

## Know how to help taxpayers save while filing

While tax preparers need to know precisely how to process taxpayers' saving requests, all staff and volunteers can better promote the saving option and answer taxpayers' questions about saving if they have a general understanding of the saving process.

IRS Form 1040 or 1040EZ allows taxpayers to directly deposit their tax refund to one account, including a checking account, savings account, or an individual retirement account (IRA).

The IRS Form 8888 allows taxpayers to split their tax refund in up to three separate accounts, which makes it easier for the taxpayer to save a portion of their refund while still depositing some of their refund in their transaction account for current expenses. The form allows taxpayers to request their refund be directly deposited to any of the following account types: checking account, savings account, IRA account, or *myRA* account. Or, they can use the same form to purchase U.S. Series I savings bonds with a portion of their refund.

Taxpayers will need to provide their account information to have their refunds directly deposited into an account. See a TaxWise screenshot of the Form 8888 on page 18.

## Dedicate staff or volunteers to promote saving

Dedicated saving staff or volunteers can make a difference in saving activity. Many VITA programs have limited capacity to keep up with tax preparation and also devote attention to other related services offered at the tax site. Some successful programs have dedicated staff or volunteers to specialize in saving promotion, without having to add the responsibility to volunteer tax preparers' duties. They can engage with taxpayers when they check in or while they wait to provide basic information about saving options and to gauge taxpayers' interest. They may also talk to taxpayers as the returns are being prepared or as they are reviewed before filing. This multiple-touch approach lets the dedicated staff member or volunteer develop a relationship with taxpayers, build their trust, and provide them with information at key points.

## Use anchoring and prompts to help focus the taxpayer on a saving goal

For taxpayers who are considering saving, providing a concrete recommendation of a saving amount, combined with a suggested purpose for saving, has been shown to be effective at increasing saving activity. The Refund to Savings initiative, a collaboration between the Center for Social Development at Washington University in St. Louis and Intuit<sup>2</sup> has demonstrated that when taxpayers were given a suggestion to save 25%, 50%, or 75% of their refund, or dollar denominations of \$100 or \$250, and in some cases also offered suggested purposes, such as to save for family or for an emergency, they were more likely to save.<sup>3</sup>

Many low- and moderate-income taxpayers feel they cannot get ahead financially. Saving all or part of their tax refund, often the largest lump sum they will receive in a year, can help taxpayers gain control of and improve their financial situations and deal with unexpected life changes. That's why we believe tax time is a good time to tell people about the importance of building savings and to encourage them to save for:

- **Rainy days:** Having some money in the bank provides a safety net for unexpected costs like car repairs, doctor bills, family changes, or financial setbacks.
- **Goals:** Goals give people a reason to save. People may want to save for a big purchase, like college, a new car, or a vacation.
- **Dreams:** Saving can help people reach their dreams like a new home or retirement.

Prompting taxpayers to save for a goal may even encourage them to save each month or evaluate and reduce their discretionary spending (such as dining out, costly entertainment, and nonessential clothing) so they can meet or increase their monthly savings goal.

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<sup>2</sup> Intuit Turbo Tax is the largest-selling tax preparation software product in the nation. In fiscal 2014, Turbo Tax sold 28.9 million units. <http://investors.intuit.com/financial-information/fact-sheet/default.aspx>

<sup>3</sup> Washington University in St. Louis. REFUND TO SAVINGS 2013: Comprehensive Report on a large -scale tax-time savings program 2015. <http://csd.wustl.edu/Publications/Documents/RR15-06.pdf>



## TIPS:

- Taxpayers know what is best for them. Respect whatever decision they make and avoid getting discouraged when taxpayers don't want to save. Keep asking everyone.
- Each taxpayer's situation is unique, but savings can benefit everyone. As you talk with taxpayers and encourage them to save, keep your own or other's saving experiences in mind. Share how those experiences have helped you or others financially.

## Commit to encouraging saving

Often taxpayers are not made aware of the opportunity to save while filing their return. By committing to encourage saving and making all taxpayers equally aware of their opportunity to save, you might plant a seed that will bear fruit this year or in coming years. You can find saving conversation starters in this document on page 20.

Saving efforts may be more successful if everyone – from leadership to volunteers – makes a commitment to encouraging saving. We suggest that all staff and volunteers give each taxpayer an equal opportunity to save and keep messages positive and encouraging so that you:

- Validate taxpayers who are already thinking about saving;
- Encourage taxpayers who have not considered saving as an option to think about how they might create a better tomorrow today by saving some of their refund;
- Educate taxpayers on the benefits and values of saving such as helping them be prepared for an unplanned event, emergency, or expense and avoid borrowing costs; and
- Correct misinformation taxpayers may have about saving money or saving options available to them when they are filing their return.

## Provide multiple options for saving

Taxpayers can save all of their tax refund to one savings or IRA account on IRS Form 1040 or 1040EZ, or they have the options to split their refund among up to three of the following accounts or purchase U.S. Series I savings bonds using IRS Form 8888.

- Savings account;
- Checking account;
- Prepaid card;
- Individual retirement account (IRA); or
- *myRA*, a retirement savings account from the United States Department of the Treasury.

Let taxpayers know:

- Many of these accounts pay interest, meaning the value of saving can increase over time.
- The options allow them to save as much or as little as they want.
- The process for saving all or part of a refund is easy, free, and fast. Completing IRS Form 8888 will take only a few extra minutes.
- The taxpayer must have accurate account and routing numbers for checking accounts, savings accounts, retirement accounts, prepaid cards, and other accounts, such as Individual Retirement Arrangements (IRAs), Archer Medical Savings Accounts, Coverdell Education Savings Accounts, and TreasuryDirect online.<sup>4</sup>

More information about treasury securities and programs for individuals is available at [treasurydirect.gov](http://treasurydirect.gov) and [myra.gov](http://myra.gov).

### Prepaid cards

Many consumers use prepaid products as an alternative to traditional checking accounts. Currently, however, there are limited federal consumer protections for most prepaid accounts. General purpose reloadable (GPR) prepaid cards often require consumers to register the card with the provider. When the consumer registers the card, he or she is normally provided with an account number and routing number that you can use to enter into the tax preparation software if the taxpayer wants to direct some or all of his or her refund to the card.

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<sup>4</sup> IRS Form 8888 General Instructions, "Purpose of Form," available at <http://www.irs.gov/pub/irs-pdf/f8888.pdf>.

When choosing a card, taxpayers should be aware of potential fees associated with the card, including inactivity and service fees. Some prepaid cards on the market have developed a separate savings “wallet” feature that allows taxpayers to track the funds they want to keep separate from their transaction account. These wallet type features are typically not actual savings accounts in the fullest sense, but they do provide consumers the opportunity to put some of their money out of easy reach, which may make it easier to save.

### **U.S. Series I savings bonds**

U.S. Series I savings bonds are a savings product that is designed to earn interest (a fixed rate and an inflation-adjusted rate that may change every six months) over a long period.

- They can be purchased in amounts from \$50 up to \$5,000 per year.
- These paper bonds are delivered by mail.
- Bonds can be purchased by the taxpayer in the name of others and be given as gifts.
- The taxpayer can redeem (cash) them after 12 months (or earlier if he or she is affected by a natural disaster), but a penalty (loss of three most recent months' interest) applies if the bonds are redeemed before five years.

### ***myRA* retirement accounts**

*myRA* is a new savings product offered by the U.S. Department of the Treasury that is a simple, safe and affordable way to start saving for retirement. With a *myRA*, consumers can:

- Save money in a government-insured, interest bearing account similar to a Roth IRA;
- Directly deposit a portion of their refund into their account through the tax form;
- Make one-time or ongoing contributions in any amount; and
- Withdraw the money they put in at any time without tax and penalty.
- Set up an account online in less than 10 minutes and receive the account number and routing number right away, so that they can choose to direct deposit funds in the account while filing their return.

## **Make saving fun**

You can make saving fun by sharing success stories and celebrating saving. Some VITA programs offer incentives like recognition and celebration at the tax site to acknowledge taxpayers who follow through and save a portion of their refund. For example, if your program

has set a saving goal, make this goal visible so all can see what the goal is and where you are in reaching it.

Your site might even participate in a saving promotion or sweepstakes that is offered by others and encourages taxpayers to save. If participating in a saving promotion or sweepstakes, be sure to showcase any winners in your area.

Incentives can also be fun for staff and volunteers. VITA programs with multiple sites or volunteer teams could set savings goals for each site or team, with friendly competitions to see which one generates the most savings. Naturally, aggressive or deceptive sales practices are not appropriate. The competition is not just a way to score points – it should offer taxpayers a positive way to increase financial stability.

# Tax time saving resources

CFPB Tax Time Saving materials and information at [consumerfinance.gov/tax-preparer-resources](https://consumerfinance.gov/tax-preparer-resources):

- Ready? Set. Save! webinar and guide
- Checklist: Prepare for your tax appointment
- Checklist: Before your appointment starts
- Tax time worksheet
- Tax time handout
- Half-page handout
- Facebook and Twitter share graphics
- Posters
- Table tent

Additional CFPB publications:

- Your Money Your Goals at [consumerfinance.gov/your-money-your-goals](https://consumerfinance.gov/your-money-your-goals)
- My New Money Goal at [promotions.usa.gov/cfpbpubs.html#money](https://promotions.usa.gov/cfpbpubs.html#money)
- Save Some & Spend Some at [promotions.usa.gov/cfpbpubs.html#money](https://promotions.usa.gov/cfpbpubs.html#money)

TreasuryDirect® at [treasurydirect.gov](https://treasurydirect.gov):

- Turn Your Tax Refund into Savings at [treasurydirect.gov/readysavegrow/newsroom/taxrefundarticle.htm](https://treasurydirect.gov/readysavegrow/newsroom/taxrefundarticle.htm)
- U.S. Series I Savings Bond FAQs at [treasurydirect.gov/indiv/research/faq/faq\\_irstaxfeature.htm](https://treasurydirect.gov/indiv/research/faq/faq_irstaxfeature.htm)
- Buying Savings Bonds PDF at [treasurydirect.gov/forms/mar0023.pdf](https://treasurydirect.gov/forms/mar0023.pdf)

myRA at [myra.gov](https://myra.gov):

- Savings calculators at [myra.gov/savings-calculators](https://myra.gov/savings-calculators)

# Working together to offer the saving option

Everyone can play a role in promoting tax time saving. However, it may be best for the program administrator or coordinator to identify two to three staff or volunteer roles that can offer taxpayers information about saving at key points before and during the filing of their return. You can use this job aid to help you promote tax time saving based on your role and the direction of your program administrator or coordinator.

Position	Possible ways to encourage saving
Appointment takers	<ul style="list-style-type: none"> <li>▪ Let taxpayers know about your program's tax time saving initiative</li> <li>▪ Direct taxpayers to, or provide them with, materials such as the <i>Checklist: Prepare for your tax appointment</i> and <i>Tax time worksheet</i></li> </ul>
Greeters	<ul style="list-style-type: none"> <li>▪ Hand taxpayers a <i>Checklist: Before your appointment starts</i> with their intake forms</li> <li>▪ Provide taxpayers with a <i>Tax time worksheet</i> to help them decide if they would like to save all or part of their tax refund</li> <li>▪ Let them know of any saving incentives your site offers</li> </ul>
Intake screeners	<ul style="list-style-type: none"> <li>▪ Acknowledge whether taxpayers have completed the <i>Tax time worksheet</i></li> <li>▪ Use saving messages and conversation starters to ask if they have an interest in or have questions about saving all or part of their tax refund</li> </ul>
Interpreters	<ul style="list-style-type: none"> <li>▪ Help taxpayers understand the value of saving and the saving options available to them</li> </ul>
Quality reviewers	<ul style="list-style-type: none"> <li>▪ Acknowledge and compliment taxpayers on their saving decision or make a final attempt to encourage taxpayers to save</li> </ul>
Saving specialists or financial coaches	<ul style="list-style-type: none"> <li>▪ Provide information about saving benefits, saving options, and other financial planning details</li> </ul>

## 2016 TAX TIME SAVING INITIATIVE: MAKE THE MOST OF YOUR TAX REFUND

### Tax preparers

- Use saving conversation starters to gauge taxpayers' interest in saving
- Be knowledgeable about the saving options provided on IRS Form 8888
- Help taxpayers complete the necessary forms if they choose to save
- Refer taxpayers to a financial coach, saving specialist, or other experienced staff when appropriate

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## 2016 TAX TIME SAVING INITIATIVE: MAKE THE MOST OF YOUR TAX REFUND

### Part II: U.S. Series I Savings Bond Purchases

Complete this part if you want to buy paper bonds with a portion of your refund.

**Note:** If a name is entered on line 5c or 6c below, co-ownership will be assumed unless the beneficiary box is checked. See the instructions for more details.

Bonds must be purchased in \$50 increments and cannot total more than \$5,000.

<b>4</b>	Amount to be used for bond purchases for yourself (and your spouse, if filing jointly) .....	0.
<b>5a</b>	Amount to be used to buy bonds for yourself, your spouse, or someone else .....	0.
<b>b</b>	Enter the owner's name below (First then Last) for the bond registration. .....	
<b>c</b>	If you would like to add a co-owner or beneficiary, enter their name below (First then Last). If beneficiary, also check here ..... <input type="checkbox"/>	
<b>6a</b>	Amount to be used to buy bonds for yourself, your spouse, or someone else .....	0.
<b>b</b>	Enter the owner's name below (First then Last) for the bond registration. .....	
<b>c</b>	If you would like to add a co-owner or beneficiary, enter their name below (First then Last). If beneficiary, also check here ..... <input type="checkbox"/>	

### Part III: Paper Check

Complete this part if you want a portion of your refund to be sent to you as a check.

<b>7</b>	Amount to be refunded by check .....	0.
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### Part IV: Total Allocation of Refund

<b>8</b>	Total of lines 1a, 2a, 3a, 4, 5a, 6a, and 7 .....	0.
	The amount on line 8 MUST equal the Federal refund amount here .....	0.

# Saving messages

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The following are saving messages you can use when talking with taxpayers about CFPB's Tax Time Saving initiative and saving all or part of their tax refund.

## Tax Time Saving initiative

- CFPB established the Tax Time Saving effort three years ago.
- CFPB works with the IRS and VITA sites to promote tax time saving.
- The initiative encourages taxpayers to save, which can be an important step toward increasing their financial stability and achieving their financial goals.

## Saving conversation starters

- Have you thought about saving all or part of your tax refund today?
- How much of a refund are you expecting? If your refund turns out to be more than that, would you like to save the extra?
- You've saved money on tax preparation services by coming here today, so why not keep that saving momentum going by saving all or part of your tax refund today?
- Have you had an opportunity to review the Tax Time Worksheet and decide whether you would like to save all or part of your tax refund today?
- Would you like to know about the options for saving your refund? It's free and easy!
- Saving all or part of your refund is easy, free, and fast. Completing the saving form will only take a few minutes, and there are no fees or charges for split refunds.
- Did you know that you can increase the value of your tax refund by depositing it in a savings account or by buying U.S. Series I savings bonds? These options generate interest, meaning the value of your saving increases over time.
- Would you like to use all or part of your refund to purchase a savings bond for yourself or for someone else?
- Do you have a short- or long-term savings goal for the coming year? You can start working toward that goal today by saving all or part of your tax refund.

- Have you thought about saving all or part of your refund to set aside money in case something unexpected comes up during the year? You can never be too prepared.
- Setting aside some money now may help you avoid borrowing money at a high cost if something unexpected comes up later in the year.

## Saving talking points

Here are some pointers to keep in mind as you talk with taxpayers about saving:

- Gauge taxpayers' interest in saving with a simple, brief message or question (for example, "Would you like information on your saving options?"). If taxpayers state they are not interested in saving money, accept that.
- Never pressure taxpayers to save. It is their decision, and they know what is best for them. It is important to respect whatever decision they make.
- Be aware and sensitive to the fact that attitudes about money and saving may vary not only from person to person but also within different cultures. For instance, some taxpayers may want to save for others like their children or grandchildren rather than for themselves. The U.S. Series I savings bond can help them do this.
- Focus on the positive – the number of people who have decided to save – and avoid getting discouraged when taxpayers don't want to save. Keep asking everyone. Just because the last taxpayer said no does not mean the next taxpayer will.
- Educate taxpayers on the benefits and value of saving – it can help taxpayers increase their financial stability and achieve their financial goals. More specifically, it may help them be prepared for an unplanned event, emergency, or expense and avoid borrowing costs.
- Share personal stories about how you, or someone you know, benefited from saving all or part of your/their refund (maybe they achieved a saving goal or took care of an unexpected expense with their savings).
- Correct any misperceptions taxpayers may have about saving money or saving options. For example, taxpayers may be worried that saving will affect their benefit eligibility. You can let them know that their tax refund cannot be counted as income, or a resource, for at least 12 months after they receive it under any federal program or under many state or local programs. They can check with their local benefit coordinator if they have additional questions about the effect of their refund and savings on their benefits.

- Use the CFPB communication materials as conversation starters or to signal taxpayers' interest in saving or learning more about saving if they are looking at the materials.
- Suggest ways taxpayers may locate their account information if they want to save all or part of their tax refund and they do not have the information with them. For example, they may be able to access their account information with their smartphone or by contacting their financial institution. An alternative would be purchasing U.S. Series I savings bonds. They can be cashed in after one year (or earlier in the event of natural disaster). But, if you cash them in before five years, you lose the last three months of interest. For example, if you cash them in after 18 months, you get the first 15 months of interest.

## Unique situations for taxpayers

Taxpayers may bring up personal situations that require more consultation about whether to save or not.

**Example 1:** A taxpayer has a large amount of debt and wants to pay the debt off rather than save money.

- **Talk about:** The interest rate on this debt. The taxpayer might be wise to pay off high-interest debt before putting money into savings. Lower interest debt may be more manageable to pay over time, so saving first could be an option.
- **Talk about:** Critical needs. Taxpayers may need to pay a mortgage or rent payment to avoid foreclosure or eviction from their home. They may also need to pay for transportation expenses or childcare to continue to work.

**Example 2:** Low-income taxpayers who receive certain public benefits may believe that saving will cause them to become ineligible.

- **Talk about:** Federal law specifically excludes tax refunds from public benefit income tests and from asset-limit tests under any federal program, or state or local program

financed in whole or part with federal funds, for a period of 12 months.<sup>5</sup> Refer taxpayers who have questions about how savings may impact their benefits to their benefit provider or to a community-based organization that can advise them.

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<sup>5</sup> 26 U.S.C. § 6409.